

File: Pooling opinion

FAX transmission

DATE: May 19, 1995**FROM:** HARRY BOADWEE

■ FENWICK & WEST
Two Palo Alto Square
Palo Alto, CA 94306
(415) 858-7188
(415) 424-0859 Fax

TO: Paul Baker, Esq.
America Online, Inc. **(703) 448-9164**

Please deliver a copy to Sheila Burke, Esq.

Ms. Sharnette Smith
America Online, Inc. **(703) 506-1942**

**Please deliver copies to Mr. Bill Dunn, Mr. Len
Leader, and Mr. Miles Gilburne**

Christopher Younger, Esq.
Wilson, Sonsini, Goodrich & Rosati, P.C. **(415) 496-4092**

Please deliver a copy to Allen L. Morgan, Esq.

WAIS Inc. **(415) 356-5444**

**Please deliver a copy to Mr. Brewster Kahle
(WAIS, Inc.) and Mr. David Kaiser (Websoft)**

Mr. Don Neff
Ernst & Young LLP **(703) 903-5200**

Please deliver a copy to Mr. Pete Buzy

NO. PAGES: 10 (including cover page)

ACCOUNT NO.: 19649-00100

■ Message:

Attached are (a) the revised draft pooling opinion letter from Ernst & Young, marked to show minor changes recommended by Fenwick & West; and (b) the revised draft pooling representation letters, marked to show AOL's changes discussed with Ernst & Young earlier today.

IF YOU DO NOT RECEIVE THE CORRECT NUMBER OF PAGES, OR IF THEY ARE NOT CLEAR,
PLEASE CALL THE SENDER AT (415) 858-7188 OR SUE BRODSKY AT (415) 494-0600, EXT. 488. The information contained in this facsimile message is privileged and confidential information intended only for the use of the individual or entity named above or their designee. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this communication is strictly prohibited. If you have received this communication in error please immediately notify us by telephone and return the original message to us at the above address via the U.S. Postal Service. Thank you.

FTW
5/19/95

May ___, 1995

(12)

America Online, Inc.

Servers,

We have been furnished with a copy of the Agreement and Plan of Reorganization between America Online, Inc. (AOL or the Company) and Wide Area Information Services, Inc. (WAIS) dated as of May ___, 1995. Under the caption "Pooling of Interests" the agreement states that such acquisition will be accounted for on the "pooling of interests" method under the requirements of Opinion No. 16 (Business Combinations) of the Accounting Principles Board of the American Institute of Certified Public Accountants (APB No. 16).

At your request, we have read the "Agreement and Plan of Reorganization" referred to above and have had discussions with officials of AOL responsible for financial and accounting matters as the specific conditions that must be met for pooling of interest accounting to be appropriate. We also have reviewed a letter dated May ___, 1995, addressed to us prepared by AOL that addresses the specific conditions as they relate to AOL and WAIS that must be met to account for a business combination as a pooling of interests.

each of

o
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and WAIS

Based upon discussions with officials responsible for financial and accounting matters, and information furnished to us to the date of this letter, we concur with management's conclusion that, as of this date, no conditions exist that would preclude AOL's accounting for the merger with WAIS as a pooling of interests. This concurrence with management's conclusion is based on our belief that the criteria for such accounting treatment specified by APB No. 16 that can be assessed at this time have been met.

All of the conditions to be met for pooling of interests accounting cannot be finally assessed until matters pertaining to SEC Accounting Series Release No. 135, as interpreted by Staff Accounting Bulletins Nos. 65 and 76 (ASR 135), have been assessed. ASR 135 requires that in a pooling of interests, no affiliate of either combining company in the business combination may reduce its risk relative to its common shareholder position within the period beginning 30 days prior to consummation of a business combination and ending when financial results covering at least 30 days of post-merger combined operations have been published. At the date of this letter, financial results covering at least 30 days of post-merger combined operations have not been published. Management of AOL has informed us that it will not agree to any actions that would violate any of the required conditions.

Our judgment as to the appropriateness of pooling of interests accounting is based on the facts and circumstances known to AOL at the date of this letter, and facts provided to us by AOL and WAIS; should those facts and circumstances change our conclusion may change.

05/19 MAY 19 '95 03:20PM FENWICK-WEST 903 5200
ERNST & YOUNG-ES ID:703-903-5200

TO: 415 424 0859
MAY 19 '95

PAGE: P.3/10
13:52 No.009 P.03

America Online, Inc.

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May ___, 1995

This report is solely for your information and is not to be referred to for any purpose or distributed to anyone who is not a member of management of AOL, WAIS, or the respective Companies' legal counsel without our prior written approval.

F4W
5/19/95

DRAFT

May ___, 1995

Ernst & Young LLP
 8075 Leesburg Pike
 Fifth Floor, Tower II
 Vienna, VA 22182

America Online, Inc. (AOL) entered into an Agreement and Plan of Reorganization (the Agreement) dated May 12, 1995, with its wholly-owned subsidiary, AOL Acquisition Corp, and with Wide Area Information Servers, Inc. (WAIS or the Company). Subject to certain customary conditions, AOL will issue _____ shares (or options exercisable for such shares) of its Common Stock in exchange for 100% of the outstanding shares of common stock and outstanding common stock options of WAIS.

The transaction with WAIS will be treated for accounting purposes as a "pooling of interest" in conformity with the requirements of Accounting Principles Board (APB) Opinion No. 16. The criteria for the "pooling of interests" method of accounting and their relevance to this exchange are outlined below.

Attributes of the Combining Companies

AOL was incorporated in 1985 and has never been a subsidiary or division of another corporation. WAIS was incorporated in 1992 and has never been a subsidiary or division of another corporation. At the date of initiation of the plan or combination, AOL had no investment in WAIS and AOL has not acquired any investment in WAIS to date, and to the best of our knowledge WAIS has no investment in AOL.

According to the management of WAIS,

Manner of Combining Interests

The combination is to be effected in a single transaction on or about May ___, 1995. The common stock to be issued in the combination is authorized but unissued common stock of AOL with rights identical to those of the currently outstanding shares as described in the AOL's Articles of Incorporation.

~~As contemplated by the Agreement, the parties will enter into a Registration Rights Agreement which requires AOL to register, within one year of the effective date of the merger transaction, that number of shares of AOL common stock issued to WAIS shareholders in the transaction resulting in aggregate net proceeds of at least \$1,000,000. If not so registered within one year by AOL, upon certain conditions and at the written request of the shareholders of WAIS, AOL will be required to register such shares necessary to generate an aggregate of \$1,000,000 in net proceeds. If at any time within two years of the effective date of the merger transaction, AOL proposes to register shares other than the shares of AOL common stock issued to WAIS shareholders in the transaction, then AOL must use its best efforts to include such shares in the registration statement to WAIS shareholders, subject to certain conditions.~~

~~Other than certain restrictions and limitations contained in the affiliates agreement and the escrow agreement contemplated by the Agreement and certain tax and securities laws restrictions and limitations, the Agreement does not place any contractual restrictions or limitations on the transferability or voting rights of the AOL common stock issued in connection with the transaction.~~

(including the registration rights agreement contemplated thereby)

Ernst & Young LLP

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May __, 1995

In November 1994 and April 1995, the Company completed 2 for 1 stock splits which were executed in the form of a stock dividend. The stock dividend was issued to effect the stock split and without consideration. Such action was taken to increase the number of outstanding shares for purposes of effecting a reduction in the unit market price and, thereby, obtaining a wider distribution and improved marketability of AOL's shares.

In November and December 1994 the Company issued shares of its common stock to purchase all of the issued and outstanding common stock of Booklink Technologies, Inc., and Navisoft. In addition, in February 1995, the Company issued shares of its common stock, and cash, to acquire all of the issued and outstanding stock of ANS CO+RE and substantially all of the assets of Advanced Network and Services, Inc. (a non-profit entity). All acquisitions were executed for purposes of acquiring internet and network backbone related technology/equipment and were not performed in contemplation of the pooling of interests with WAIS.

EY to review whether to add Redgate

During March 1995 the Company entered into a 50/50 joint venture with Bertelsmann, A.G., whereby Bertelsmann will contribute up to \$100 million into the venture to fund the expansion of the Company's online service into Europe as well as making a \$50 million equity investment in AOL representing ~~1/3~~^{approximately} of the then outstanding shares. These transactions were entered into for valid business reasons (i.e. expand the subscriber base, expand the Company's service abroad, and to provide additional equity to AOL).

The \$500,000 secured note payable by WAIS to AOL is at a reasonable rate of interest relative to commercially available loans and was executed for valid business reasons not in contemplation of the pooling of interests.

The granting of stock options under AOL's option plans during fiscal 1995 were in the ordinary course of business with terms and conditions consistent with options issued during fiscal 1992 and 1993 and were not in contemplating the pooling of interests with WAIS. Options issued to officers during FY 95 were issued to ensure the longevity of the existing management team, and in recognition of the Company's past performances (meeting revenue and subscription goals and projected strength of future earnings).

such officers' contribution to

All new AOL options issued to WAIS employees are consistent in amount and terms, with those issued to all other new AOL employees and were not issued as additional consideration in contemplation of the pooling of interests.

Within the past two years, neither AOL nor WAIS changed the equity interest of the voting common stock in contemplation of effecting the business combination. Neither AOL nor WAIS will effect such a transaction prior to consummation of the business combination.

Based upon management's understanding of stock option activity at WAIS for the two years prior to the consummation of the pooling of interests, all WAIS options were issued by WAIS for valid business reasons and not in contemplation of the pooling of interests for the following reasons:

according to the management of WAIS

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May 1995

- In September 1994, WAIS established its 1994 stock option plan. All options issued under the plan were granted to retain and motivate existing employees and not in contemplation of the pooling of interests with AOL. It was WAIS management's intention to grant such options to all employees upon beginning employment with WAIS, although the actual granting of such options was not final until approval was obtained by the WAIS Board of Directors on January 9, 1995.
- The accelerated vesting period related to the options granted to Nicholas M. Scharf, Vice President and Chief Financial Officer of WAIS, was done for reasons relative to WAIS's original intention to compensate Mr. Scharf in part with common stock for consulting services provided to the Company. Upon becoming a full-time employee of WAIS, Mr. Scharf agreed with WAIS to substitute actual common stock for common stock options with accelerated vesting. Therefore, the accelerated vesting period placed on common stock options given to Mr. Scharf was performed for valid business reasons in relation to his prior consulting services and not in contemplation of the pooling of interests with AOL.

The exchange ratio of ___ shares of AOL common stock for 1 share of WAIS common stock is applicable to all common shareholders of WAIS and, consequently, the shareholders' relative position within WAIS will remain the same. All WAIS common stock options outstanding will be assumed by AOL at the conversion rate and with equivalent terms with appropriate adjustment in the exercise price thereof and with vesting credited to reflect continuous employment with WAIS prior to such assumption.

The voting rights of the common stock in the resulting combined corporation will be fully exercisable by the stockholders.

The combination will be resolved at the date of the combination is consummated, and no provisions relating to the issuance of securities or other consideration will be pending.

Absence of Planned Transactions

The following transactions are not provided for in the Agreement and the combining companies, after the consummation of the combination and acting as the combined company, do not intend and have not agreed to effect any of the following transactions:

- a. Retire or reacquire, directly or indirectly, all or part of the common stock issued to effect the combination.
- b. Enter into financial arrangements for the benefit of the former shareholders of WAIS except those specifically provided for in the agreement.
- c. Dispose of a significant part of the assets of the combining companies within two years of the combination, other than disposals in the ordinary course of business of the formerly separate companies and to eliminate duplicate facilities or excess capacity.

Ernst & Young LLP

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May ___, 1995

The foregoing is based on facts and conditions known by AOL and WAIS at the date of this letter. AOL and WAIS have not agreed, and do not intend to agree, to any event that would change the criteria between the date of this letter and the date of consummation of the transaction. If however, any events occur during the period from the date of this letter to the consummation of the transaction that could bear on the pooling of interests treatment, we will notify you.

Lennert J. Leader
Senior Vice President
and Chief Financial Officer

Stephen M. Case
President and CEO

F+W
5/19/95

DRAFT

May ___, 1995

Ernst & Young LLP
 8075 Leesburg Pike
 Fifth Floor, Tower II
 Vienna, VA 22182

America Online, Inc. (AOL) entered into an Agreement and Plan of Reorganization (the Agreement) dated May 12, 1995, with its wholly-owned subsidiary AOL Acquisition Corp., and with Wide Area Information Servers, Inc. (WAIS or the Company). Subject to certain customary conditions, AOL will issue _____ shares (or options exercisable for such shares) of its Common Stock in exchange for 100% of the outstanding shares of common stock and outstanding common stock options of WAIS.

The transaction with AOL will be treated for accounting purposes as a "pooling of interest" in conformity with the requirements of Accounting Principles Board (APB) Opinion No. 16. The criteria for the "pooling of interests" method of accounting and their relevance to this exchange are outlined below.

Attributes of the Combining Companies

WAIS was incorporated in 1992 and has never been a subsidiary or division of another corporation. At the date of initiation of the plan or combination, WAIS had no investment in AOL and has not acquired any investment in AOL to date. AOL has no investment in WAIS.

Manner of Combining Interests

The combination is to be effected in a single transaction on or about May ___, 1995. Management believes that the common stock to be issued in the combination is authorized but unissued common stock of AOL with rights identical to those of the currently outstanding shares as described in AOL's Articles of Incorporation. ~~contemplated by the Agreement, the parties will enter into a Registration Rights Agreement which requires AOL to register within one year of the effective date of the merger transaction, that number of shares of AOL common stock issued to WAIS shareholders in the transaction resulting in aggregate net proceeds of at least \$1,000,000. If not so registered within one year by AOL upon certain conditions and at the written request of the shareholders of WAIS, AOL will be required to register such shares necessary to generate an aggregate of \$1,000,000 in net proceeds. If at any time within two years of the effective date of the merger transaction, AOL proposes to register shares other than the shares of AOL common stock issued to WAIS shareholders in the transaction, then AOL must use its best efforts to include similar registration rights shares issued to WAIS shareholders subject to certain conditions. Other than certain restrictions and limitations contained in the affiliates agreement and the escrow agreement contemplated by the Agreement and certain tax and securities laws restrictions and limitations, the Agreement does not place any contractual restrictions or limitations on the transferability or voting rights of the AOL common stock issued in connection with the transaction.~~

and underwriting

(including the registration rights agreement contemplated thereby)

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Ernst & Young LLP

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Page 2
May 1995

Within the past two years WAIS has not changed the equity interest of the voting common stock in contemplation of effecting the business combination. WAIS will not effect such a transaction prior to consummation of the business combination.

In September 1994, WAIS established its 1994 stock option plan. All options issued under the plan were granted to retain and motivate existing employees and not in contemplation of the pooling of interests with AOL. It was WAIS management's intention to grant such options to all employees upon beginning employment with WAIS, although the actual granting of such options was not final until approval was obtained by the WAIS Board of Directors which occurred on January 9, 1995.

The accelerated vesting period related to the options granted to Nicholas M. Scharf, Vice President and Chief Financial Officer of WAIS, was done for reasons relative to WAIS's original agreement to compensate Mr. Scharf in part with common stock for consulting services provided to the Company. Upon becoming a full-time employee of WAIS, Mr. Scharf agreed with WAIS to substitute the receipt of actual shares of common stock with common stock options having accelerated vesting. Therefore, the accelerated vesting period placed on common stock options given to Mr. Scharf was performed for valid business reasons in relation to his prior consulting services and not in contemplation of the pooling of interests with AOL.

The exchange ratio of shares of AOL common stock for 1 share of WAIS common stock is applicable to all common shareholders of WAIS and, consequently, the shareholders' relative position within WAIS will remain the same. All WAIS common stock options outstanding will be assumed by AOL at the same conversion ratio and with equivalent terms, with appropriate adjustment in the exercise price thereof and with vesting credited to reflect continuous employment with WAIS prior to such assumption.

There have been no cash payments to shareholders for two years prior to the consummation of the pooling of interests, other than normal compensation, which could be considered extra dividends and an alteration of equity interests which violate the pooling of interests accounting under APB 16.

The \$500,000 secured note payable by WAIS to AOL is at a reasonable rate of interest relative to commercially available loans and was executed for valid business reasons not in contemplation of the pooling of interests.

All liabilities specifically addressed under Section 10.2 of the Agreement relate to liabilities that existed prior to the consummation of the pooling and provide for the sharing of rights and risks arising after consummation and are not earnings or market price contingency agreements which would violate pooling of interests accounting under APB 16.

The voting rights of the common stock in the resulting combined corporation will be fully exercisable by the stockholders.

The combination will be resolved at the date of the combination is consummated, and no provisions relating to the issuance of securities or other consideration will be pending.

Ernst & Young LLP

DRAFTPage 3
May ___, 1995**Absence of Planned Transactions**

The following transactions are not provided for in the Agreement and the combining companies, after the consummation of the combination and acting as the combined company, do not intend and have not agreed to effect any of the following transactions:

- a. Retire or reacquire, directly or indirectly, all or part of the common stock issued to effect the combination.
- b. Enter into financial arrangements for the benefit of the shareholders of WAIS except those specifically provided for in the Agreement.
- c. Dispose of a significant part of the assets of the combining companies within two years the combination, other than disposals in the ordinary course of business of the formerly separate companies and to eliminate duplicate facilities or excess capacity.

The foregoing is based on facts and conditions known by WAIS at the date of this letter. AOL and WAIS have not agreed, and do not intend to agree, to any event that would change the criteria between the date of this letter and the date of consummation of the transaction. If however, any events occur during the period from the date of this letter to the consummation of the transaction that could bear on the pooling of interests treatment, we will notify you.

Brewster Kahle
President

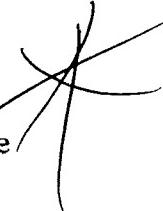
Nicholas M. Scharf
Vice President and Chief Financial
Officer

FAX transmission

DATE: May 22, 1995

FROM: HARRY BOADWEE

■ FENWICK & WEST
 Two Palo Alto Square
 Palo Alto, CA 94306
 (415) 858-7188
 (415) 424-0859 Fax



TO:	Mr. Preston Green America Online, Inc.	(703) 448-9164
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**Please deliver copies to Sheila Burke, Esq.
and Paul Baker, Esq.**

Ms. Sharnette Smith America Online, Inc.	(703) 506-1942
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**Please deliver copies to Mr. Bill Dunn, Mr. Len
Leader, and Mr. Miles Gilburne**

Christopher Younger, Esq. Wilson, Sonsini, Goodrich & Rosati, P.C.	(415) 496-4092
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Please deliver a copy to Allen L. Morgan, Esq.

WAIS Inc.	(415) 356-5444
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**Please deliver a copy to Mr. Nicholas Scharf
and Mr. Brewster Kahle (WAIS, Inc.) and Mr.
David Kaiser (Websoft)**

NO. PAGES: 12 (including cover page)	ACCOUNT NO.: 19649-00100
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■ Message:

Attached are the final drafts of the pooling representation letter and pooling opinion letter. If you have any further comments, please contact me immediately.

IF YOU DO NOT RECEIVE THE CORRECT NUMBER OF PAGES, OR IF THEY ARE NOT CLEAR, PLEASE CALL THE SENDER AT (415) 858-7188 OR SUE BRODSKY AT (415) 494-0600, EXT. 488. The information contained in this facsimile message is privileged and confidential information intended only for the use of the individual or entity named above or their designee. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this communication is strictly prohibited. If you have received this communication in error please immediately notify us by telephone and return the original message to us at the above address via the U.S. Postal Service. Thank you.

ERNST & YOUNG LLP

Internal Correspondence

Washington/IRS Office

Fairfax Square Tower II
8075 Leesburg Pike
Vienna, VA 22182
(703) 903-5000

FAX Coversheet

Date: 5/22/95

FAX No.: 415-424-0859

To: Harry Broadwee
Office/
Company: _____

From: Don Neff

Comments:

Attached is the final draft of our
opining opinion letter which incorporates
YOUR comments. Also, please note
minor changes to the third
paragraph. Call with any questions.

Number of pages (including cover sheet): (5)

If you do not receive all of the pages of this document,
please call _____.

Fax number: (703) 903-5200

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5/22 8:15 (B)

May ___, 1995

America Online, Inc.

We have been furnished with a copy of the Agreement and Plan of Reorganization between America Online, Inc. (AOL or the Company) and Wide Area Information Servers, Inc. (WAIS) dated as of May 12, 1995. Under the caption "Pooling of Interests" the agreement states that such acquisition will be accounted for on the "pooling of interests" method under the requirements of Opinion No. 16 (Business Combinations) of the Accounting Principles Board of the American Institute of Certified Public Accountants (APB No. 16).

At your request, we have read the "Agreement and Plan of Reorganization" referred to above and have had discussions with officials of AOL responsible for financial and accounting matters as to the specific conditions that must be met for pooling of interests accounting to be appropriate. We also have reviewed letters dated May 12, 1995, addressed to us prepared by each of AOL and WAIS that address~~s~~ the specific conditions as they relate to AOL and WAIS that must be met to account for a business combination as a pooling of interests.

Based upon discussions with officials responsible for financial and accounting matters, and information furnished to us to the date of this letter, we concur with AOL management's conclusion that, as of this date, no conditions exist that would preclude AOL's accounting for the merger with WAIS as a pooling of interests. This concurrence with AOL management's conclusion is based on our belief that the criteria for such accounting treatment specified by APB No. 16 that can be assessed at this time have been met.

All of the conditions to be met for pooling of interests accounting cannot be finally assessed until matters pertaining to SEC Accounting Series Release No. 135, as interpreted by Staff Accounting Bulletins Nos. 65 and 76 (ASR 135), have been assessed. ASR 135 requires that in a pooling of interests, no affiliate of either combining company in the business combination may reduce its risk relative to its common shareholder position within the period beginning 30 days prior to consummation of a business combination and ending when financial results covering at least 30 days of post-merger combined operations have been published. At the date of this letter, financial results covering at least 30 days of post-merger combined operations have not been published. Management of AOL has informed us that it will not agree to any actions that would violate any of the required conditions.

Our judgment as to the appropriateness of pooling of interests accounting is based on the facts and circumstances known to AOL at the date of this letter, and facts provided to us by AOL and WAIS; should those facts and circumstances change our conclusion may change.

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< UMHY 22 '95 10:44AM FENWICK-WEST 703-5200
ST & YOUNG-ES ID:703-903-5200

MAY 22 '95 9:30 No.005 P.03 P.4/12

America Online, Inc.

Page 2
May ____ 1995

This report is solely for your information and is not to be referred to for any purpose or distributed to anyone who is not a member of management of AOL, WAIS, or the respective Companies' legal counsel without our prior written approval.

ERNST & YOUNG LLP

Internal Correspondence

Washington/FFG Office

Fairfax Square Tower II
8071 Leesburg Pike
Vienna, VA 22182
(703) 903-5000

FAX Coversheet

Date: 5/22/95

FAX No.: 415-424-0859

To:
Office/
Company:

Harry Bondurie

From:

Don Neff

Comments:

Attached are the final Pooling representations
letters for both AOL and UATIS. I will
Fed Ex you clean copies for delivery in
the A.M. You can reach me at (703) 903-5187
with any questions

Number of pages (including cover sheet): (8)

If you do not receive all of the pages of this document,
please call _____.

Fax number: (703) 903-5200

received
5/22 8:48 0

May 12, 1995

Ernst & Young LLP
8075 Leesburg Pike
Fifth Floor, Tower II
Vienna, VA 22182

America Online, Inc. (AOL) entered into an Agreement and Plan of Reorganization (the Agreement) dated May 12, 1995, with its wholly-owned subsidiary, AOL Acquisition Corp. and with Wide Area Information Servers, Inc. (WAIS or the Company). Subject to certain customary conditions, AOL will issue _____ shares (or options exercisable for such shares) of its common stock in exchange for 100% of the outstanding shares of common stock and outstanding common stock options of WAIS.

The transaction with WAIS will be treated for accounting purposes as a "pooling of interests" in conformity with the requirements of Accounting Principles Board (APB) Opinion No. 16. The criteria for the "pooling of interests" method of accounting and their relevance to this exchange are outlined below.

Attributes of the Combining Companies

AOL was incorporated in 1985 and has never been a subsidiary or division of another corporation. According to the management of WAIS, WAIS was incorporated in 1992 and has never been a subsidiary or division of another corporation. At the date of initiation of the plan or combination, AOL had no investment in WAIS and AOL has not acquired any investment in WAIS to date, and to the best of our knowledge WAIS has no investment in AOL.

Manner of Combining Interests

The combination is to be effected in a single transaction on or about May 23, 1995. The common stock to be issued in the combination is authorized but unissued common stock of AOL with rights identical to those of the currently outstanding shares as described in AOL's Articles of Incorporation. Other than certain restrictions and limitations contained in the affiliates agreements and the escrow agreement contemplated by the Agreement and certain tax and securities laws and underwriting restrictions and limitations, the Agreement (including the registration rights agreement contemplated thereby) does not place any contractual restrictions or limitations on the transferability or voting rights of the AOL common stock issued in connection with the transaction.

In November 1994 and April 1995, the Company completed 2 for 1 stock splits which were executed in the form of a stock dividend. The stock dividend was issued to effect the stock split and without consideration. Such action was taken to increase the number of outstanding shares for purposes of effecting a reduction in the unit market price and, thereby, obtaining a wider distribution and improved marketability of AOL's shares.

Ernst & Young LLP

Page 2
May 12, 1995

In August 1994 the Company issued shares of common stock to acquire all of the issued and outstanding common and preferred stock of Redgate Communications Corporation. In November and December 1994 the Company issued shares of its common stock to purchase all of the issued and outstanding common stock of Booklink Technologies, Inc., and Navisoft. In addition, in February 1995, the Company issued shares of its common stock, and cash, to acquire all of the issued and outstanding stock of ANS CO+RE and substantially all of the assets of Advanced Network and Services, Inc. (a non-profit entity). All acquisitions were executed for purposes of acquiring internet and network backbone related technology/equipment and were not performed in contemplation of the pooling of interests with WAIS.

During March 1995 the Company entered into a 50/50 joint venture with Bertelsmann, A.G., whereby Bertelsmann will contribute up to \$100 million into the venture to fund the expansion of the Company's online service into Europe as well as making a \$50 million equity investment in AOL representing approximately 5% of the then outstanding shares. These transactions were entered into for valid business reasons (i.e. expand the subscriber base, expand the Company's service abroad, and to provide additional equity to AOL).

The \$500,000 secured note payable by WAIS to AOL is at a reasonable rate of interest relative to commercially available loans and was executed for valid business reasons not in contemplation of the pooling of interests.

The granting of stock options under AOL's option plans during fiscal 1995 were in the ordinary course of business with terms and conditions consistent with options issued during fiscal 1992 and 1993 and were not in contemplating the pooling of interests with WAIS. Options issued to officers during FY 95 were issued to ensure the longevity of the existing management team, and in recognition of such officers' contribution to the Company's past performances (meeting revenue and subscription goals and projected strength of future earnings).

All new AOL options issued to WAIS employees are consistent in amount and terms, with those issued to all other new AOL employees and were not issued as additional consideration in contemplation of the pooling of interests.

Within the past two years, neither AOL nor WAIS changed the equity interest of the voting common stock in contemplation of effecting the business combination. Neither AOL nor WAIS will effect such a transaction prior to consummation of the business combination.

Based upon management's understanding of stock option activity at WAIS for the two years prior to the consummation of the pooling of interests, all WAIS options were issued by WAIS for valid business reasons and not in contemplation of the pooling of interests for the following reasons according to the management of WAIS :

Ernst & Young LLP

Page 3
May 12, 1995

- In September 1994, WAIS established its 1994 stock option plan. All options issued under the plan were granted to retain and motivate existing employees and not in contemplation of the pooling of interests with AOL. It was WAIS management's intention to grant such options to all employees upon beginning employment with WAIS, although the actual granting of such options was not final until approval was obtained by the WAIS Board of Directors on January 9, 1995.
- The accelerated vesting period related to the options granted to Nicholas M. Scharf, Vice President and Chief Financial Officer of WAIS, was done for reasons relative to WAIS's original intention to compensate Mr. Scharf in part with common stock for consulting services provided to the Company. Upon becoming a full-time employee of WAIS, Mr. Scharf agreed with WAIS to substitute actual common stock for common stock options with accelerated vesting. Therefore, the accelerated vesting period placed on common stock options given to Mr. Scharf was performed for valid business reasons in relation to his prior consulting services and not in contemplation of the pooling of interests with AOL.

The exchange ratio of _____ shares of AOL common stock for 1 share of WAIS common stock is applicable to all common shareholders of WAIS and, consequently, the shareholders' relative position within WAIS will remain the same. All WAIS common stock options outstanding will be assumed by AOL at the conversion rate and with equivalent terms with appropriate adjustment in the exercise price thereof and with vesting credited to reflect continuous employment with WAIS prior to such assumption.

The voting rights of the common stock in the resulting combined corporation will be fully exercisable by the stockholders.

The combination will be resolved at the date of the combination is consummated, and no provisions relating to the issuance of securities or other consideration will be pending.

Absence of Planned Transactions

The following transactions are not provided for in the Agreement and the combining companies, after the consummation of the combination and acting as the combined company, do not intend and have not agreed to effect any of the following transactions:

- a. Retire or reacquire, directly or indirectly, all or part of the common stock issued to effect the combination.
- b. Enter into financial arrangements for the benefit of the former shareholders of WAIS except those specifically provided for in the agreement.
- c. Dispose of a significant part of the assets of the combining companies within two years the combination, other than disposals in the ordinary course of business of the formerly separate companies and to eliminate duplicate facilities or excess capacity.

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The foregoing is based on facts and conditions known by AOL and WAIS at the date of this letter. AOL and WAIS have not agreed, and do not intend to agree, to any event that would change the criteria between the date of this letter and the date of consummation of the transaction. If however, any events occur during the period from the date of this letter to the consummation of the transaction that could bear on the pooling of interests treatment, we will notify you.

Stephen M. Case
President and CEO

Lennart J. Leader
Senior Vice President
and Chief Financial Officer

May 12, 1995

Ernst & Young LLP
8075 Leesburg Pike
Fifth Floor, Tower II
Vienna, VA 22182

America Online, Inc. (AOL) entered into an Agreement and Plan of Reorganization (the Agreement) dated May 12, 1995, with its wholly-owned subsidiary, AOL Acquisition Corp., and with Wide Area Information Servers, Inc. (WAIS or the Company). Subject to certain customary conditions, AOL will issue _____ shares (or options exercisable for such shares) of its common stock in exchange for 100% of the outstanding shares of common stock and outstanding common stock options of WAIS.

The transaction with AOL will be treated for accounting purposes as a "pooling of interests" in conformity with the requirements of Accounting Principles Board (APB) Opinion No. 16. The criteria for the "pooling of interests" method of accounting and their relevance to this exchange are outlined below.

Attributes of the Combining Companies

WAIS was incorporated in 1992 and has never been a subsidiary or division of another corporation. At the date of initiation of the plan or combination, WAIS had no investment in AOL and has not acquired any investment in AOL to date. AOL has no investment in WAIS.

Manner of Combining Interests

The combination is to be effected in a single transaction on or about May 23, 1995. Management believes that the common stock to be issued in the combination is authorized but unissued common stock of AOL with rights identical to those of the currently outstanding shares as described in AOL's Articles of Incorporation. Other than certain restrictions and limitations contained in the affiliates agreements and the escrow agreement contemplated by the Agreement and certain tax and securities laws and underwriting restrictions and limitations, the Agreement (including the registration rights agreement contemplated thereby) does not place any contractual restrictions or limitations on the transferability or voting rights of the AOL common stock issued in connection with the transaction.

Within the past two years WAIS has not changed the equity interest of the voting common stock in contemplation of effecting the business combination. WAIS will not effect such a transaction prior to consummation of the business combination.

In September 1994, WAIS established its 1994 stock option plan. All options issued under the plan were granted to retain and motivate existing employees and not in contemplation of the pooling of interests with AOL. It was WAIS management's intention to grant such options to all employees upon beginning employment with WAIS, although the actual granting of such options was not final until approval was obtained by the WAIS Board of Directors which occurred on January 9, 1995.

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The accelerated vesting period related to the options granted to Nicholas M. Scharf, Vice President and Chief Financial Officer of WAIS, was done for reasons relative to WAIS's original agreement to compensate Mr. Scharf in part with common stock for consulting services provided to the Company. Upon becoming a full-time employee of WAIS, Mr. Scharf agreed with WAIS to substitute the receipt of actual shares of common stock with common stock options having accelerated vesting. Therefore, the accelerated vesting period placed on common stock options given to Mr. Scharf was performed for valid business reasons in relation to his prior consulting services and not in contemplation of the pooling of interests with AOL.

The exchange ratio of _____ shares of AOL common stock for 1 share of WAIS common stock is applicable to all common shareholders of WAIS and, consequently, the shareholders' relative position within WAIS will remain the same. All WAIS common stock options outstanding will be assumed by AOL at the same conversion ratio and with equivalent terms, with appropriate adjustment in the exercise price thereof and with vesting credited to reflect continuous employment with WAIS prior to such assumption.

There have been no cash payments to shareholders for two years prior to the consummation of the pooling of interests, other than normal compensation, which could be considered extra dividends and an alteration of equity interests which would violate pooling of interests accounting under APB 16.

The \$500,000 secured note payable by WAIS to AOL is at a reasonable rate of interest relative to commercially available loans and was executed for valid business reasons not in contemplation of the pooling of interests.

All liabilities specifically addressed under Section 10.2 of the Agreement relate to liabilities that existed prior to the consummation of the pooling and provide for the sharing of rights and risks arising after consummation and are not earnings or market price contingency agreements which would violate pooling of interests accounting under APB 16.

The voting rights of the common stock in the resulting combined corporation will be fully exercisable by the stockholders.

The combination will be resolved at the date of the combination is consummated, and no provisions relating to the issuance of securities or other consideration will be pending.

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Page 3
May 12, 1995**Absence of Planned Transactions**

The following transactions are not provided for in the Agreement and the combining companies, after the consummation of the combination and acting as the combined company, do not intend and have not agreed to effect any of the following transactions:

- a. Retire or reacquire, directly or indirectly, all or part of the common stock issued to effect the combination.
- b. Enter into financial arrangements for the benefit of the shareholders of WAIS except those specifically provided for in the Agreement.
- c. Dispose of a significant part of the assets of the combining companies within two years the combination, other than disposals in the ordinary course of business of the formerly separate companies and to eliminate duplicate facilities or excess capacity.

The foregoing is based on facts and conditions known by WAIS at the date of this letter. AOL and WAIS have not agreed, and do not intend to agree, to any event that would change the criteria between the date of this letter and the date of consummation of the transaction. If however, any events occur during the period from the date of this letter to the consummation of the transaction that could bear on the pooling of interests treatment, we will notify you.



Brewster Kahle
President



Nicholas M. Scharf
Vice President and Chief Financial
Officer